A **TIEN YING HONG ENTERPRISE SDN BHD**

v.

BEENION SDN BHD

B HIGH COURT MALAYA, KUALA LUMPUR
AZAHAR MOHAMED J
[SUIT NO: D6-22-1309-03]
7 DECEMBER 2009

C ***TRADEMARKS:*** *Infringement of - Registered trademarks - Import into Malaysia of goods bearing trademark "SEIZAIKEN" without trademark holder's consent - Whether defence of 'parallel import' applicable - Exclusive right to use trademark - Whether infringement of trademark established - Trade Marks Act 1976 s. 38*

D ***TRADEMARKS:*** *Parallel importation - Meaning, of - Whether parallel importation permitted under Malaysian laws - Trade Marks Act 1976 ss. 35, 40(1)(d)*

The plaintiff was the registered proprietor of the trademark E "SEIZAIKEN" pursuant to Trademark Registration No. 91/01413 in class 9 under the Trade Marks Act 1976 ('the Act') in respect of batteries in class 9. Therefore, the plaintiff was the sole and exclusive company in Malaysia entitled to sell and distribute batteries under the trademark SEIZAKEN. The plaintiff never gave F permission to the defendant to sell or distribute batteries with the trademark SEIZAKEN. The defendant had been selling watch batteries in Malaysia under the mark SEIZAKEN (the said infringing use) without the license of the plaintiff. The said batteries had no connection in the course of trade with the G plaintiff. The plaintiff commenced this suit for trademark infringement and claimed against the defendant for an injunction, an inquiry as to damages and an account of profits. The defendant claimed that it imported its batteries marked with "SEIZAIKEN" from Star (Far East) Ltd, a company based in H Hong Kong, which in turn obtained the batteries from Seiko Instrument Inc. in Japan, the lawful manufacturer. According to the defendant, the SEIZAKEN batteries were genuine and not imitation or "pirated" products. As such, it was contended that the importing and distributing of the SEIZAKEN batteries by the I defendant fell into the legal description of "parallel import" and hence did not breach any trademark law.

Held (allowing the plaintiff's claim):

(1) Based on the factual matrix of the case, the defence of parallel importation failed. Parallel imports refer to goods, which are lawfully manufactured overseas but imported and distributed in Malaysia by a person other than the registered proprietor of the trademark. Our laws do not expressly forbid the importation of parallel goods into Malaysia. Nevertheless, not all parallel imports are permitted under the Act for the reason that by virtue of s. 35 of the Act the registered proprietor of the trademark has the exclusive right to the use of the trademark in relation to those goods. (paras 11 & 12)

(2) As registered owner of the trademark "SEIZAIKEN", the Plaintiff had the exclusive right to use the trademark in Malaysia by virtue of s. 35 of the Act. This meant that no one else had the right to import, sell or advertise for sale batteries bearing the trademark "SEIZAIKEN" in Malaysia without the prior permission of the plaintiff as the registered owner of the same by virtue of s. 38 of the Act. (para 15)

(3) Pursuant to s. 40(1)(d) of the Act, parallel imports of the batteries bearing SEZAIKEN trademark are permitted under the Act, if and only if the plaintiff must be taken to have consented to their importation, distribution and sale in Malaysia. Moreover, the plaintiff was unrelated to Star (Far East) Ltd and to Seiko Instruments Inc of Japan. (para 18)

(4) It made no difference at all whether the batteries imported, distributed and sold domestically by the defendant were genuine products made by Seiko Instruments Inc of Japan. After all, Seiko Instruments Inc itself did not have the right to sell batteries under the trademark "SEIZAIKEN" in Malaysia because the plaintiff was the registered owner of the trademark in Malaysia, and only the plaintiff had the right to import, distribute and sell in Malaysia batteries bearing the trademark "SEIZAIKEN". (para 23)

(5) The defendant had violated s. 38 of the Act and the plaintiff had unmistakably proven infringement by the defendant. (para 24)

Case(s) referred to:

Lim Yew Sing v. Hummel International Sports & Leisure A/S [1996] 4 CLJ 784 CA ***(refd)***

Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor [1988] 1 LNS 21 HC ***(refd)***

Legislation referred to:
Trade Marks Act 1976, ss. 35, 38, 40(1)(d)

Other source(s) referred to:
Annotated Statutes Of Malaysia 2005 Reissue, MLJ, pp 69, 70
Malaysian Halsbury vol 22 (Intellectual Property), para 520.578
WR Cornish. *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 1st edn, p 569

For the plaintiff - Barry Goh Meng Yew; M/s Iza Ng Yeoh & Kit
For the defendant - Ismail Mohamed Arifin; M/s Ram Reza & Muhammad

Reported by Amutha Suppayah

JUDGMENT

Azahar Mohamed J:

[1] This action raises a point of law concerning parallel importation in international trade. It has to do with the legitimacy of parallel imports in the area of trademark protection.

[2] The plaintiff's cause of action in this suit is trademark infringement of the plaintiffs rights to the trademark "SEIZAIKEN" pursuant to Trademark Registration No. 91/01413 under the Trade Marks Act 1976 (the Act) in respect of batteries in class 9.

The Plaintiff's Case

[3] In brief, the plaintiff's case is as follows. The plaintiff has the business of distributing and selling batteries for watches and clocks as well as watches and clock parts. The plaintiff is and has been the registered proprietor of the trademark "SEIZAIKEN" pursuant to Trademark Registration No. 91/01413 in class 9 under the Act in respect of batteries in class 9. Indeed, that registration subsists to the present day. As a result, thereof, the plaintiff is the sole and exclusive company in Malaysia that entitles them to sell and distribute batteries under the trademark SEIZAKEN, and where no other person or company including Seiko Instruments Inc and Star (Far East) Ltd is entitled to sell or distribute such batteries in Malaysia. The plaintiff never gave permission to the defendant to sell or distribute for sale the batteries having the said trademark SEIZAKEN. The defendant operates a business trading and selling watches, clocks and batteries for watches and clocks.

[4] The defendant has been from a date unknown to the plaintiff selling watch batteries in Malaysia under the mark SEIZAKEN (the said infringing use) without the license of the plaintiff, the said batteries also have no connection in the course of trade with the plaintiff. The plaintiff never appointed the defendant at any time to be a distributor of the batteries bearing the trademark SEIZAKEN. The said infringing use by the defendant is in the nature of the use of a mark that is identical with the said trademark as it is likely to deceive or cause confusion in the course of trade in relation to the very same goods. The use of the mark by the defendant likely is to be taken either as being use as a trademark, and/or as importing a reference made by the defendant purportedly having the right either as registered proprietor or registered user to use the said trademark or to goods, which the defendant is connected in the course of trade.

[5] On 26 September 2002 and 27 September 2002, the defendant offered for sale a consignment of watch batteries bearing the mark SEIZAKEN to Marusho Inter Pacific of Suite 26.00, 26th Floor, Menara IMC, No. 8, Jalan Sultan Ismail, 50250 Kuala Lumpur. The packaging used by the batteries that were supplied to Marusho Inter Pacific by the defendant were clearly different from the packaging used by the batteries that were supplied by the plaintiff and therefore the batteries sold by the defendant to Marusho Inter Pacific were not supplied by the plaintiff.

[6] Because of such infringement by the defendant, the plaintiff has suffered loss and/or damage. In the circumstances, the plaintiff claims against the defendant for an injunction, an inquiry as to damages, an account of profits, interest and costs.

The Defendant's contention

[7] Learned counsel for the defendant in his submission only raised one issue. The main thrust of his argument is simply this. The defendant imported its batteries marked with "SEIZAIKEN" from Star (Far East) Ltd, a company based in Hong Kong, which in turn obtained the batteries from Seiko Instrument Inc in Japan, the lawful manufacturer. He said that the SEIZAKEN batteries were genuine and not imitation or "pirated" products. Emphasizing this point, learned counsel argued that the defendant has therefore established that the conduct and the mode of importing and distributing the SEIZAKEN batteries as transacted by the

A defendant fall into the legal description of "parallel import". He referred to Malaysian Halsbury Vol. 22 2007 Reissue (Intellectual Property) para. 520.600, which states:

> Parallel Imports means strictly the importation and sale by others of goods originating from the owner of industrial property rights in parallel with his own importation of such goods, whether carried out by himself or through authorized agents, but is used more generally to describe the importation and sale by third persons of goods obtained in another country which originate from an internationally known company or group

[8] He then referred to s. 40(1)(d) of the Act. This is what it says:

> (1) Notwithstanding anything contained in this Act the following acts do not constitute an infringement of a trademark:
>
> (d) in relation to goods connected in the course of trade with the registered proprietor or a registered user of the trademark if, as to those goods or bulk of which they form part, the registered proprietor or the registered user in conforming to the permitted use has applied the trademark and has not subsequently removed it ...

[9] Further, on this point, learned counsel also referred to *Malaysian Halsbury vol 22 (Intellectual Property)* para. 520.578 note 9, which read: The Trade Marks Act 1976 s. 40(1)(d) also makes it clear that parallel imports are not prohibited under this Act. See also *Winthrop Products Inc & Anor v. Sun Ocean (M) Sdn Bhd & Anor* [1988] 1 LNS 21; [1988] 2 MLJ 31.

[10] As a final point, learned counsel argued that the transaction of importing and distributing the batteries bearing SEZAIKEN trademark as conducted by the defendant falls within the category of parallel importation and hence does not breach any trademark law as stipulated in the Act. Hence, the plaintiffs claim must be dismissed with cost.

Findings Of Court

[11] I now turn to consider the one and only contention put forth by learned counsel for the defendant. I could not agree with it. Having regard to the irrefutable factual matrix in the present case, in my view, the defence of parallel importation fails. My reasons now follow.

[12] Generally speaking, parallel imports refer to goods, which are lawfully manufactured overseas but imported and distributed in Malaysia by a person other than the registered proprietor of the trademark. Parallel imports benefit consumers as the goods may be sold at lower prices in the domestic market due, for examples, to fluctuations in currencies, market strategy, trade policy and distribution costs. Parallel imports are sometime referred to as 'grey market' goods because even though they are legitimately manufactured and marketed abroad, problems time and again crop up, such as the case at hand, whether the goods maybe legitimately imported and distributed in Malaysia.

[13] Here I will mention one point. It is important to distinguish between parallel imports and "pirated" goods; the former are legitimately manufactured genuine goods whilst the latter are imitation or counterfeit goods. In this context, it goes without saying that our laws prohibit the importation or dealing with counterfeit or "pirated" goods.

[14] On the other hand, it seems to me that our laws do not expressly forbid the importation of parallel goods into Malaysia; it is a lawful international business. Nevertheless, there is this very important qualification to be made. Not all parallel imports are permitted under the Act for the reason that by virtue of s. 35 of the Act the registered proprietor of the trademark has the exclusive right to the use of the trademark in relation to those goods. It seems to me clear on principle and on authority that our trademark law is territorial in nature. That this principle has been firmly laid down can be seen in our Court of Appeal in *Lim Yew Sing v. Hummel International Sports & Leisure A/S* [1996] 4 CLJ 784.

[15] In the context of the present case, as the registered owner of the trademark since 6 March 1991, the plaintiff has been owner of the trademark in Malaysia for 18 years. As registered owner of the trademark "SEIZAIKEN", the plaintiff has the exclusive right to use the trademark in Malaysia by virtue of s. 35 of the Act. This means that no one else has the right to import, sell or advertise for sale batteries bearing the trademark "SEIZAIKEN" in Malaysia without the prior permission of the plaintiff as the registered owner of the same by virtue of s. 38 of the Act (see: the *Annotated Statutes Of Malaysia 2005 Reissue*, MLJ at pp. 69 and 70). It is undisputed and in fact admitted by the defendant that it has imported from Hong Kong in Malaysia batteries bearing the mark "SEIZAIKEN". Those batteries came from another source that could not have originated from the

plaintiff. The plaintiff has never authorized nor gave any rights to the defendant or the supplier in Hong Kong or the lawful manufacturer to import, distribute or sell batteries bearing the "SEIZAIKEN" in Malaysia.

[16] Which brings me to the argument of learned counsel for the defendant to the effect that the transaction of importing the batteries bearing SEZAIKEN trademark as conducted by the defendant falls within the category of parallel importation and hence does not breach any trademark law.

[17] In the first place, I find it useful to refer *Trade Marks Law in Malaysia, Cases and Commentary* by Dr. Ida Madieha bt Abdul Ghani Azmi, where in commenting s. 40(1)(d) of the Act, the learned author summarizes the principle as follows:

> With regard to subsection (d), the element of consent must exist. This provision indirectly covers parallel imports, as this is where the issue of implicit consent appears.

[18] The above summary captures the essence of the point that I want to make. The reading of the provision therefore made it possible for a valid registered trademark owner in Malaysia to put a stop to parallel imports of the goods bearing a similar trademark from overseas. Therefore, in the context of our present case, parallel imports of the batteries bearing SEZAIKEN trademark are permitted under the Act, if and only if the plaintiff must be taken to have consented to their importation, distribution and sale in Malaysia. To make this point clear, I should refer to WR Cornish in *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, First Edition. The learned author at p. 569 makes clear the issue of implicit consent in relation to parallel imports in the context of trademarks in international trade as follows:

> Like other rights discussed in this book, trademarks have been used as a means of dividing the national markets for the goods of connected enterprises. But the legal techniques have been more complicated, because trademarks fulfil a different function from intellectual property in a strict sense. At least in many states, the owner of a trademark has not been able to use his rights to repel the importation of goods, which he has originally marketed elsewhere. For this, there is an obvious reason: the mark does not cease accurately to indicate that the goods originate from him merely because they cross a national frontier. Certainly, in British law this principal is clear.

> If the trademark is in different legal hands, the national owner in the country of import could say that the mark had not been applied in order to indicate a connection with him, but rather with the owner in the country of first marketing. But if the legal entities were in fact economically connected-because each was owned by a common parent company, or they were both licensees or distribution agents with a common source-to say so might seem no more than a pretext for dividing markets. Accordingly, in some European countries, the courts have refused to allow the local trademark owner in such cases to preclude parallel imports of "connected" goods.
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> In the United Kingdom, where the question has to be worked out in relation both to common law and to statutory rights, the Court of Appeal has decided part of the issue in the same sense. The Revlon group of companies operated in Europe through two subsidiaries, one of which was the owner and the other the registered user of the British mark "Revlon Flex" for (*inter alia*) shampoo. When the parent company distributed "Revlon Flex" shampoo in the United States and a parallel importer brought it into Britain for sale, the European subsidiaries were unable to establish that the sales amounted to either passing off or infringement of the registered mark. The reputation relevant to passing off was that built up by the multi-national group, the British public being unaware of which member company made or produced the goods and where they were manufactured. Accordingly, there was no misrepresentation in selling shampoo originally put out by the American parent.
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> As far, as concerns the registered mark, there is no infringement where the British proprietor or user has applied the mark to other goods, or has at any time consented to its use. In the view of Buckley and Bridge LJJ the European subsidiaries could not be treated as having actually applied the mark to the goods in question, but they must be taken to have consented to its use in relation to them. This implication was spelled out of two factors: the parent company's legal power to impose its will upon all subsidiaries, and the deployment of the mark as a house mark for the whole mark.

[19] The last paragraph deserves a critical reading. Returning to our present case, concerning the case *Winthrop Products Inc & Sterling Drug (M) Sdn Bhd v. Sun Ocean (M) Sdn Bhd & Anor (supra)*, the learned author, Dr. Ida Madieha bt Abdul Ghani Azmi in her book, which I have referred to earlier, highlighted some very important principles and they are as follows:

A It was held in this case that since both the Panadol from the plaintiff and that from the defendant were from the same manufacturing company, there was no infringement of trademark or passing off. What happened here was only an infringement of the restriction of sale in particular geographical area. Since there was no such restriction in the agreement entered into between the
B plaintiff and the manufacturer, the plaintiff had no right to restrict the defendant from selling the Panadol that it had imported from elsewhere.

[20] This is an important point because it seems to me that the
C case *Winthrop Products Inc & Sterling Drug (M) Sdn Bhd v. Sun Ocean (M) Sdn Bhd & Anor (supra)* is the only authority in Malaysia in which the position of parallel imports was explored. There, the court held that the defence of parallel importation applied against an action of trademark infringement. However, a
D very important fact that cannot be overlooked in that case is that the same corporate group was manufacturing tablets under the Panadol trademark in United Kingdom and in Malaysia under subsidiaries of the same in that case is that the corporate group. The defendant imported Panadol branded tablets from the United
E Kingdom subsidiary of that same corporate group. The 1st plaintiff was the Malaysian subsidiary of the same corporate group. That is why the Malaysian subsidiary was deemed to have impliedly consented to the importation of the tablets by the defendant from its United Kingdom related company, because the defendant was
F in effect buying from the plaintiff in United Kingdom those tablets. VC George J in the *Winthrop* case had this to say at p. 318:

"Panadol" is the trademark under which the well-known analgesic is sold. It is what is known as an invented word mark. In the United States of America, the owner of the trademark is Sterling
G Drug Inc. In the United Kingdom, it is owned by Sterling Winthrop Group Ltd. In Malaysia, it is owned by the first plaintiff Winthrop Products Inc., a company incorporated under the laws of the state of Delaware, U.S.A. Winthrop Products Inc. has registered-user rights of the mark in the United Kingdom. The
H second plaintiff is registered in Malaysia as the sole registered user of the mark. All these corporations are related corporations. A look behind the corporate veil revealed that these corporations are all members of a group of companies that function on a worldwide basis with a turnover of some US$2 billion per annum. The parent company is Sterling Drug Inc. of the U.S.A. The
I worldwide activities of the group are carried out by sub-groups, each functioning in different geographical areas.

Further down at the same page the learned judge added:

> It would appear that the ownership (or substantial ownership) of the various corporations in the group, certainly that of the Malaysian, British and American companies that were specifically referred to here before, can be traced to Sterling Drug Inc.

Moreover, the learned judge said further at p. 319:

> The plaintiffs' complaint against the defendants is that the second defendant imported into Malaysia the blue pack Panadol which they had obtained from the British domestic market and that they had sold such Panadol in the Malaysian market through, *inter alia*, the first defendant. For the plaintiffs, it is contended that such importation and sale of the blue pack Panadol in Malaysia infringes the first plaintiff's proprietorship and the second plaintiffs user rights in the "Panadol" trademark.
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> It is also contended that the defendants have by putting the blue pack Panadol in the Malaysian market practiced a deception on the Malaysian public that amounts to a passing off the blue pack Panadol as being that of the plaintiffs.

At p. 321, the learned judge explained:

> The position that obtained was that Winthrop Products Inc., the first plaintiffs, having a registered-user right in respect of the mark in the United Kingdom and ownership in the mark in Malaysia, could manufacture and sell the product Panadol in the United Kingdom and in Malaysia. Under trademark law, there was nothing to stop them from exporting their product from the United Kingdom to, say, Malaysia and *vice versa*. There was, and is, nothing in trade mark law to stop them, or for that matter any trader, from exporting Panadol made in the United Kingdom by either Winthrop Products Inc. or by the Sterling Winthrop Group Ltd. other than any contractual restrictions that there may have been imposed. There were no such contractual restrictions.
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> The leading English case on so-called parallel importation is *Revlon Inc & Others v. Cripps & Lee Ltd* [1980] FSR 85 where the facts are not dissimilar to the facts in the instant case as can be seen from the judgment of Dillon J commencing at p. 90 of the report.

Further down at p. 322, the learned judge stated the principle as follows:

> I will with respect and gratefully echo (a *fortiori*) Templeman LJ and say that where a parent company (or a group of companies) chooses to manufacture and sell wholly or partly through subsidiary companies in different parts of the world products

A which bear the same trade mark, neither the parent or any member of the group nor any subsidiary can complain in Malaysia if those products are sold and resold under that trade mark. A purchaser of the analgesic Panadol manufactured and or sold by a Sterling company and sold under the "Panadol" trade mark whether in the United Kingdom or in Malaysia or in any other part of the world is at least entitled to assume that he will not be sued by a Sterling company in Malaysia or in the United Kingdom or anywhere else merely because of the place of manufacture of the product which he has acquired under the trade mark "Panadol". The legal ownership of the trademark "Panadol" enables the proprietor to protect in Malaysia the reputation and goodwill of the owner and of the group of which the owner is a member by ensuring that no goods are sold with the mark unless they are produced and labelled by a Sterling company. The legal ownership of the mark does not go further and enables the owner or registered user to ensure that products manufactured elsewhere (eg, in the U.K. or in the U.S.A.) are not sold within the territory of Malaysia. Neither common law nor the statute law of Malaysia allows this. The object of section 52(3)(a) of the Ordinance of 1950 is to prevent the owner of the trade mark claiming infringement in respect of a product which he has produced and to which he has attached the trade mark. In the circumstances of the Sterling group (as in the circumstances of the Revlon group in the *Revlon* case) applying the approach of Cross LJ in *GE Trade Mark* [1970] RFC 339, user by the parent or any one of its subsidiaries may be considered a user by the proprietor. In my judgment, neither of the plaintiffs may complain of or object to the putting into the market in the United Kingdom or elsewhere of products by their related companies of the similar product bearing the same trade mark and that thereafter they can be said to have impliedly consented to their doing so that the holder from time to time of the goods acquires the absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were disposed of. Accordingly, both the plaintiffs in the instant case have impliedly consented to the use of the trademark by the manufacturers of the blue pack Panadol in the United Kingdom, which had found its way into the ownership of the defendants.

Finally, the learned judge concluded at p. 323:

The same situation obtained here. The products sold by the defendants are what the defendants say they are - blue box Panadol manufactured, named, labelled and put into circulation by a Sterling company. The plaintiffs' case fails on both counts. The action is dismissed with costs.

[21] But then, the facts in the *Winthrop* case are in sharp contrast with the facts of the present case. The plaintiff herein is unrelated to Star (Far East) Ltd and to Seiko Instruments Inc. of Japan. Indeed, it was never alleged nor put to PW2 by learned defendant's counsel in cross-examination of PW2 that there was ever any such connection or association. DW1 himself admitted that the plaintiff has no affiliation with Seiko. That is why, by the fact alone the ratio in the *Winthrop* case does not apply in any manner whatsoever to the facts of the present case.

[22] In any event, the defendant has failed to prove that the batteries that it imported and sold in Malaysia were actually procured from Star (Far East) Ltd of Hong Kong. There is no admissible evidence to prove that that Star (Far East) Ltd of Hong Kong was the authorized distributor of SEIZAIKEN batteries in Hong Kong. Furthermore, the defendant had failed to prove that Seiko Instruments Inc. of Japan manufactured those batteries so imported and distributed and that Seiko Instruments Inc. was the only manufacturer of such batteries.

[23] Going beyond that, in my judgment, it makes no difference at all whether the batteries imported, distributed and sold domestically by the defendant were genuine products made by Seiko Instruments Inc. of Japan. After all, Seiko Instruments Inc. itself does not have the right to sell batteries under the trademark "SEIZAIKEN" in Malaysia because the plaintiff is the registered owner of the trademark in Malaysia, and only the plaintiff has the right to import, distribute and sell in Malaysia batteries bearing the trademark "SEIZAIKEN" since 6 March 1991.

[24] In the result, for the reasons already given, clearly, the defendant violated s. 38 of the Act and the plaintiff has unmistakably proven infringement by the defendant. It cannot be disputed that the mark applied to the batteries imported, distributed and sold by the defendant is identical the trademark "SEIZAIKEN".

[25] That being the case, I allow the plaintiffs' claim. Hence, I grant an order in terms of encl. 1 (the plaintiffs' statement of claim) para. 8, prayers (a), (b), (c) and (d).